

**Montana Coal Board**

**Meeting Minutes**

**June 12, 2015**

Big Horn County Courthouse, Hardin, MT

**Board Members Present**

Chairman John Williams, Vice-Chair Loren Acton, Ralph Lenhart, and CJ Stewart.

**Board Members on Conference Call**

Marcia Brown

**Montana Department of Commerce Staff Present**

Aaron Pratt, Coal Board Administrative Officer and Amy Peck, Administrative Assistant.

**Public present:**

Karen Sweeney	Snowy Mountain Development Corp
Jim Atchison	Southeastern Montana Development Corporation (SEMDC)
Noelle Pinkerton	Treasure County Ambulance Service
Erin Fink	Treasure County Ambulance Service
Duke Nieskens	
Matt Redden	Big Horn County
David Picchioni	
Chad Hanson	Great West Engineering
Sandra Jones	Roundup Mayor
Lon Sibley	Roundup Public Works Director
Sharon Keyes	Hysham
Emily Wortman	Murtagh Municipal Engineering
Patrick Murtagh	Murtagh Municipal Engineering
Earl Sutherland	
Brian Johnson	Collaborative Design Architects
Chad Sealey	Roundup Public Schools
George Real Bird III	Big Horn County
Duane Ankney	Senate District #20
Tom Erskine	Interstate Engineering
Robert Goffena	Musselshell County
Carl Jackson	KLJ Engineering
LeRoy Wallace	Lodge Grass K-12
Joe Chargualaf	Lodge Grass K-12
Nicole Borner	Musselshell County
Jeff McDowell	
Butch Grenz	Miles City Mayor
Rose Hanser	Colstrip Mayor
Candy Wells	Big Horn County
Paul Grutkowski	
Bud Peterson	Custer County
Julie Korkow	Southeastern Montana Development Corporation (SEMDC)
Craig Canfield	KLJ Engineering

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**Welcome – Call to order**

Chairman Williams called to order the meeting of the Montana Coal Board at 8:36 a.m.

**Roll call:**

Mr. Pratt called the Roll for Board members. The following board members were present: Chairman John Williams, Vice-Chair Loren Acton, Ralph Lenhart, Marcia Brown, and CJ Stewart.

**Opportunity for Public Comment**

The following individuals provided comments:

- Chad Fenner - Big Horn County welcomes the Montana Coal Board
- Jim Atchison – Welcome to the new members of the board. Legislative Update: HB 228 passed. Thank you to Senator Ankney and Representative Berry. This is the last night for the Tongue River railroad public comments. Burlington Northern is relocating their crews. He extended an invitation to the 12<sup>th</sup> Annual Golf Tourney to showcase energy development (handouts)
- Karen Sweeney – Snowy Mountain Development Corporation is here to represent three applicants; Musselshell County, City of Roundup and Roundup Public Schools. We are pleased that the Legislature heard the public comments and increased funding for the Board. We are very appreciative for the Board's efforts as the needs are significant.
- Representative Berry – Expressed concern about the direction of the Coal Board and staff. The public is here for Coal Board help and the state government should minimize demands and requirements of the applicants.
- Rose Hanser – Mayor of Colstrip, Thank you to the Board for your support in the past and going forward. Coal Board funds make a positive impact on these communities.
- **Comments from the Board** – The Board recognized the service of its members; Marcia Brown-8 years, Loren Acton-4 years, Ralph Lenhart-reappointed, and two new members appointed; Tim Schaff from Roundup and Veronica Small-Eastman from Lame Deer. There is one position still open. Thank you to Big Horn County for hosting the meeting, to Big Horn Hospital for providing dinner and tour of their facilities, and to Cloud Peak Mine for the tour of the mine.

**Approval of Minutes (March 13, 2015)**

**Action by the Board:** Mr. Acton made a motion to approve the minutes. Mr. Lenhart seconded. Meeting minutes were approved.

**Budget & Financial Report**

A)

- Money appropriated for the 2015 Biennia: \$ 3,918,811
- Coal Board funds awarded thus far: \$ 3,918,811
- Balance of available funds: \$ 0

B)

	<u>July '15 – June '16</u>	<u>Contingent</u>	<u>Total</u>
➤ Money appropriated for the 2017 Biennia:	\$2,463,539	\$996,949	\$3,460,488
➤ Coal Board funds awarded so far:	\$ 0	\$ 0	\$ 0
➤ Balance of available funds:	\$2,463,539	\$996,949	\$3,460,488

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	<u>July '16 – June '17</u>	<u>Contingent</u>	<u>Total</u>
➤ Money appropriated for the 2017 Bienna:	\$2,555,267	\$948,668	\$3,503,935
➤ Coal Board funds awarded so far:	\$ 0	\$ 0	\$ 0
➤ Balance of available funds:	<u>\$2,555,267</u>	<u>\$948,668</u>	<u>\$3,503,935</u>
 Total:	 \$5,018,806	 \$1,945,617	 \$6,964,423

Mr. Aaron Pratt read excerpts from the memo from Department of Commerce Director, Meg O'Leary (Appendix A) regarding the budget for the 2017 Biennia based on HB 2, HB 228, and HB 3 dated June 3, 2015. Due to procedural issues during the appropriations, there are now two options available to the Board for funding: 1) Accept applications and award funds as applicants apply or, 2) Accept applications and award funds based on priority and importance of project. (copies made available to the public)

**Discussion of options on how to award funds**

- Chairman Williams – recommendation to the board is for Option 1. Seems the less complicated, most similar to previous years; to accept and award as applicants apply. At the next quarterly meeting, if issues arise from the public regarding this option, please let the board know.
- Mr. Lenhart – in agreement to follow the Chairman.
- Vice-Chair Acton – thank you to the Chairman for thinking through these options. See no feasibility to option 2 which is prioritizing applicants as we never know what is coming in the future in terms of projects. Incumbent on staff to be sure the board knows how much money we have at any given time.
- CJ Stewart – only logical option is 1. Can Representative Berry speak to this?
- Representative Berry – Governor has been very cooperative and I believe the additional \$996,000 will come this biennium through HB 3. Liked option 1.
- Vice-Chair Acton – thank you Representative Berry for carrying this through. This is much closer to the funding we need.
- Senator Ankney – I was unaware of this plan but my understanding is that they will do all they can through this supplemental bill, HB 3, to achieve the full funding which is not unusual. I support option 1. The less complicated the better. I am sure we will have a clearer path at the next board meeting.

**Action by the Board:** Mr. Stewart made a motion to accept Option 1. Mr. Lenhart seconded. Motion passed.

**Approval to accept the Budget**

**Action by the Board:** Vice-Chair Acton made a motion to accept the Budget. Mr. Lenhart seconded. Budget was approved.

**Program Administration**

**Update of Designated Impact Areas**

- Mr. Pratt – (handouts) read excerpts from the report.
- **Questions and comments from the Board** – Under the current designation, everything remains relatively unchanged except the addition of two counties; Judith Basin County and Sweet Grass County. This Draft is available for the public for review. What is involved in changing this draft into a report?
- Mr. Pratt – staff will seek public comment first through a variety of means.
- Chairman Williams – this will be placed on the agenda for the next board meeting.

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**Project Updates**

- Number of projects awarded **38**
- There are currently 20 open contracts 4 of which are pending closeout.
- **Correspondence**
  - i. Letter from Treasure County Economic Development Inc. (TCED) - #0502
  - ii. Letter from Musselshell County - #0739
  - iii. Letter from Savage 2M Sewer District- #0743

i. Mr. Pratt read letter from Treasure County Economic Development Inc. (TCED) regarding project #0502 and the sale of land purchased with Coal Board funds.

- Mr. Pratt – staff reviewed and provided a response. Mr. Pratt read the response.
- Chairman Williams – this requires no board action, just informational.

ii. Mr. Pratt read letter from Musselshell County regarding delays to project #0739 to provide a new facility for the county's community center.

- Chairman Williams – this requires no board action.

iii. Mr. Pratt read letter from Savage 2M Sewer District regarding extending the contract for sewer project #0743.

- Chairman Williams – this will require board action.

**Action by the Board:** Vice-Chair Acton made a motion to extend the grant to completion of project. Mr. Stewart seconded. Motion passed.

**Old Business**

**Action by the Board:** Mr. Stewart made a motion to remove City of Colstrip application #0759 from the table. Vice-Chair Acton seconded. Motion passed.

- The applicant is proposing to install a variety of equipment for the Phase I Wastewater Project.
- Rose Hanser – Mayor of Colstrip, the amendment received to the PER has raised costs, but we are not requesting more money. The City is ready to go forward with Phase II which is upgrading the Lift Stations. We have increased our water and sewer rates, refinanced our bonds and are looking to secure SRF funding.
- Jim Atchison – gave updates to City of Colstrip impacts since last year (handouts).
- Carl Jackson – KLJ Engineering, provided a refresher about the work being done to the City's infrastructure and the risk to public safety and health as well as environmental risk if the project is not done. This project was recommended to be done in 2007.
- Rose Hanser – there is \$2 million in future expenses to the city after spending \$1.6 million already. DEQ requested a backwash project to be completed that cost the city \$1 million but provided zero benefit to the system. It was a federally mandated item that has negatively impacted the community and other communities face the same impacts.
- Senator Ankney – this is a very worthy project. This is a main artery in Coal County. It is impossible for small towns and cities to keep up with the requirements that come down from the government.

**Action by the Board:** Vice-Chair Acton made a motion to fully fund the project for \$500,000. Mr. Lenhart seconded. Motion passed.

**Action by the Board:** Vice-Chair Acton made a motion to remove Musselshell County application #0765 from

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the table. Mr. Lenhart seconded. Motion passed.

- The applicant is requesting funds to complete the Majerus Road Phase II project.
- Robert Goffena – Vice-Chair Commissioner for Musselshell County, the county has already spent funds on the first half of the needed amount to do repairs to the road. We were able to only complete half the road. We request funds to complete the remaining parts; rest of the way down to 21 Mile Road/Yellowstone County boundary. Yellowstone County has received some Coal Board funds to do work to their part of the road. This road is critical.
- Karen Sweeney – (handout) prepared a summary of timeline of this application. This road is utilized by about 200 mine employees. The county is working on a Capital Improvement Plan (handout). Costs will continue to rise and the county has done all they could, there are no other resources for them to get this accomplished. Gross Proceeds Funds are spread as levied so they cannot be used for this road.

**Action by the Board:** Vice-Chair Acton made a motion to fully fund the application. Mr. Lenhart seconded.

- Representative Berry – this area is forested and needs good access with more than one way out in case of emergencies and also for safety measures. Very critically needed.
- Senator Ankney – this is a coal impacted area with a thriving mine. This has been before the board for a while and since no infrastructure bill was passed, the needs are many.
- Nicole Borner – Commissioner for Musselshell County, want to introduce myself since newly elected. All services are working together to get the county's needs met. In talks with the school board on a lease for the senior services.

**Action by the Board:** Motion passed.

**Action by the Board:** Mr. Stewart made a motion to remove Treasure County application #0768 from the table. Vice-Chair Acton seconded. Motion passed.

- The applicant is requesting funds to purchase and equip a new ambulance.
- Erin Fink – Treasure County Ambulance Service, addressed the application deficiencies and provided information to staff for review (handouts). The ambulance we need to replace is 21 years old, 2-wheel drive, and top heavy. The Absaloka Mine has increased production 57% from 2013 to 2014. BNSF Rail has built an additional spur off the Sarpy Line, traffic has increased all over the area in the past few years, and additionally Western Energy is seeking permits to mine in Treasure County. Treasure County does not have a hospital. The closest is in Forsyth, 40 miles one way, longer to get to Billings. The county doesn't have a mine or power plant but does have mine employees and retired mine workers. During Overhaul, many temporary employees rent housing in Treasure County. The population does continue to decrease, placing a further tax burden on an elderly population and an elderly population leads to more ambulance calls. The County's millage rates are at the highest. The Mill Levy is decreasing leaving funds to be deposited to an ambulance replacement fund only if there are funds remaining.
- Jim Atchison – the CEIC/Department of Commerce, notes that Montana is the 7<sup>th</sup> oldest state in age demographics. By 2030, it will be the 4<sup>th</sup>. The smaller communities continue to age and have great need. Treasure County is listed on SEMDC Infrastructure Needs List.
- Sidney Fitzpatrick – Commissioner for Big Horn County, we are a neighboring county and support this application.
- Senator Ankney – appreciate the Board's consideration. Treasure County has many accidents on the Interstate and in Hysham Hills. The need is great.

**Action by the Board:** Mr. Lenhart made a motion to fully fund the application. Mr. Stewart seconded. Motion passed.

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**New Business**

**Application #0770 Big Horn County – Road Department Equipment**

- The applicant is requesting \$103,750 to purchase one new belly dump trailer and one new dozer.
- Sidney Fitzpatrick – Commissioner for Big Horn County, the Board was able to tour one mine yesterday, there are two others in the county and one is coming. 60% of the royalty funds go to either the state or the federal government. We are requesting just half of the funds needed for these purchases.
- Matt Redden – Big Horn County Road Superintendent, we have two trailers that need to be offline but one was brought back online when it shouldn't have and it caused injuries to an employee. The other equipment, the dozer, could do the same. Staff requested our priority list which was brought.  
(handout)

**Action by the Board:** Mr. Stewart moved to fully fund the application. Vice-Chair Acton seconded. Motion passed.

**Application #0769 Roundup Public Schools – Junior/Senior High School Remodel**

- The applicant is requesting \$103,750 to fund equipment and additional remodeling for the school.
- Chad Sealey – Superintendent Roundup Public Schools – reviewed the application and project history. The architects have added the Add Options/Alternatives for other necessary features. The legislature did not pass the Quality Schools bill which was intended to fund the needed fire alarm system so it has been added to this application but because we have received a better price than originally thought, the fire alarm system costs can be deducted from the total. Roundup Schools has requested little in comparison to the history of school requests from the Coal Board, only 10% of the total project cost.
- **Questions and comments from the Board** – the Board understands the impact of coal on schools. If the Board doesn't grant the funding, what will happen? What are the biggest priorities?
- Brian Johnson – Collaborative Design Architects, provided a response to staff's comments regarding the home economics and kitchen area Add Options/Alternatives as well as the front entrance/patio section. (handouts) The culinary arts are becoming a vital part of our society along with sewing and crafts. The patio area will serve two functions, an eating area and an entrance area where children can wait in a well-lit area for pick-up by parents.
- Chad Sealey – If we do not receive Coal Board funding, then these projects won't happen. The first priority would be the home economics and kitchen area.
- **Questions and comments from the Board** – Clarifying the amount requested is \$417,622?
- Chad Sealey – yes, that is correct.

**Action by the Board:** Vice-Chair Acton moved to fund \$291,340 for the Add Option for the family and computer science or home economics portion. Ms. Brown seconded.

- Vice-Chair Acton – Roundup has had an interesting time getting all the funding needed for this project. I am a firm believer in home economics and that kind of training as it can lead to careers. I see this as a higher priority than the patio.

**Action by the Board:** Chairman Williams made a summary motion to fully fund the application of \$417,622. Mr. Stewart seconded.

- Chairman Williams – I understand what the school district is trying to accomplish. One of the best things we can do with our funding is to help youth. With a reduction of Gross Proceeds, this gave the

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Signal Peak Mine an opportunity to be more successful which has occurred. I believe you will benefit in the long term because that mine will be successful. But short term, the school district needs help.

- Representative Berry – in agreement that this will be better in the long term. The legislature had to push to get the funds back to the current level. We needed to remind Governor Bullock of Governor Schweitzer's decision that by reducing the Gross Proceeds, the Coal Board would then need to be adequately funded.
- Senator Ankney – I support Superintendent Sealey and the Board's decision to support education. This is a high priority.
- Amy Angel – Trustee with Roundup Public Schools, thank you to the Coal Board for your support. Roundup and Musselshell County struggle financially and economically. In order to encourage people to move to our area when they are looking at schools, if they are exemplary, the people will come. This is so important to our economic development.
- Vice-Chair Acton – since this is the beginning of the funding biennium, we have a responsibility to think down the line for the other communities and their needs to come. This is the reason for the motion to fund the lower amount.

**Action by the Board:** vote on the main motion to fund \$291,340. Motion failed.

**Action by the Board:** vote on the summary motion to fund \$417,622. Motion passed.

**Application #0771 City of Roundup – Water System Upgrades**

- The applicant is requesting \$1,073,000 to upgrade the water distribution system.
- Sandra Jones – Mayor of Roundup, thank you members for all your support. Addressed staff concerns. This project was pushed up in timing due to the new elementary school. Anticipating growth in the area of the new school, the City has already developed water, sewer, and storm drains. In compliance to a city wide needs assessment, the City of Roundup has a Capital Improvement Plan updated in 2014 and water quality was listed as the number one priority. Due to limited resources, the project is divided into phases; two phases have been completed. The city raised the target water rates in 2014 by 47%. Phase three is being funded through TSEP and CDBG and other sources. No Coal Board funds were requested. To meet the requirements for those funding sources, an income survey was completed in March 2015. 50% of Roundup's residents are low income. This part of the project we are requesting funding for will have a lower cost if this work is done in conjunction with other work from the Phase 3 project. The city does not receive coal gross proceeds, the school district does but those cannot be used for the city. (handouts from Karen Sweeney) A new school was not contemplated at the time of the Phase 3 Preliminary Engineering Report but without this additional part of the project, the school, a senior housing unit and other portions of the city. Roundup has some of the highest taxes in the state and has been a coal impacted community since 1907.
- Chad Hanson – Great West Engineering started working with the city in 2010 when a PER identified the deficiencies in the system. This project will help in multiple ways; the new school's need for better water flow for the sprinklers and hydrants, and parts of the community like the nursing home and hospital has a drop in pressure below the state fire code requirements. The Public Works Director Lon Sibley fixes more leaks per year than the City of Billings. This works with the school's project to close the loop in the deficiencies.
- **Questions and comments from the Board** – Which is the nature of that area? Is it a growth area? How much does the rate have to go up to meet the target rate currently?
- Chad Hanson – a mix of residential, the hospital, a nursing home already exist near there and then the area of the new school is a platted area of town that hasn't yet been developed but has many services

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already installed.

- Karen Sweeney – addressed one item from the staff report; the application submitted used an old chart for the historical rates for the city but have a corrected one. (handouts) At the time of the Phase 3 project application, target rates were above the requirements but since then, the rates have changed putting the city's target rates below the requirements. The city does not feel it can raise rates again so soon after a 47% increase. For the water, rates would have to increase nine dollars. This project was not part of the Phase 3 application and it will be another 2 years before the next application cycle through TSEP. All other city funds are allocated through to 2022 for the first two phases and the school will be built this summer and occupied by fall of 2016.
- **Questions and comments from the Board** – if the Board does not fund, then what? Would the Fire Marshall provide a waiver? What does staff mean when they say the applicant does not address the statutory criteria?
- Aaron Pratt – the reports come from the division including planning and engineering staff. The deficiencies were found in the degree of engineering effort, planning through the PER, and due diligence. I will look into the statutory requirement.
- Chad Hanson – without the additional Phase 3 project funds we are requesting, then this would be pushed off to 2018.
- Lon Sibley - If you receive a waiver, then if there are two fires at once, the fire fighters go to the parts of town that are covered, the school would be on its own.
- **Questions and comments from the Board** – if given partial funding, this would give the applicant time to consider other funding to complete the project. The Coal Board should help with this project as it is an important part to fold in to Phase 3 because it makes sense. Troubled by staff's use of the word 'statutory' with no back up. Nothing more important than fire and water protection.

**Action by the Board:** Vice-Chair Acton made a motion to partially fund the project at \$500,000. Mr. Lenhart seconded. Motion passed.

**Application #0772 Town of Hysham – Water System Improvements**

- The applicant is requesting \$140,000 to fund construction and contingency costs for the water project.
- Emily Wortman – Murtagh Municipal Engineering, thank you for the grant last year. That grant allowed for the plans and specifications which will let us go to bid for construction this fall. Reviewed coal impact. Majority of the project is replacing the water storage tank which is 100% corroded.
- Jim Atchison - the town has been on the Infrastructure Needs List for quite a while. The storage tank was voted as the #1 project by community members. (handouts)
- Patrick Murtagh – thank you to the Coal Board for the grant as it was critical to understanding our full costs. We are not asking for any additional funding besides the original amount from last year. Structurally the tower is much worse than last year.
- Bob Keele – Public Works Director, thank you for the grant as it has gone a long way to comfort the citizens of Hysham. The town's rates have increased greatly due to this project so we would appreciate any additional funding help.
- **Questions and comments from the Board** – one of the most interesting applications. Originally the Board gave \$60,000 but the requested amount was \$200,000? It is clear that this is much needed and would hate to see the tower fail and then the town would need so much more. Does the cut back from a 300,000 gallon tank to a 250,000 come with any risks?
- Bob Keele – yes, the original amount was \$200,000 and we appreciated the head start and that at the time, the Board had no funding left.



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- Senator Ankney - this is a good coal Board project. There is no doubt what will happen if the project is not accomplished.
- Emily Wortman – reducing the size of the tank had benefits that outweigh any slight reduction in water flow.

**Action by the Board:** Mr. Stewart made a motion to fully fund the application. Vice-Chair Acton seconded. Motion passed.

**Application #0773 Musselshell County – Road Department Motor Grader**

- The applicant is requesting \$178,000 to help purchase a new motor grader.
- Bob Goffena – read letter from the head of the Road Department: prior to 2014 the current grader had worked well but since then it has had numerous issues. John Deere Company offers guaranteed buyback plan but will expire in October. We are asking for a half match. I have the Capital Improvement Plan for the County and the Road Department. (handouts)
- Karen Sweeney – thank you again for all support from the Board. To clarify, the \$10,000 cost for every breakdown is transportation cost to get the equipment to repairs and the cost of rental for equipment while the other piece is in repair.
- **Questions and comments from the Board:** can the county contribute more? Is there a plan for equipment replacement?
- Amy Angel – Musselshell County Accountant, we will work to finance whatever portion we have to. The floods caused such extensive damage and FEMA repaired some of the roads, but not all. The road department has had some financial struggles but they do set aside funds for equipment purchases.

**Action by the Board:** Vice-Chair Acton made a motion to fund \$128,000. Mr. Lenhart seconded. Motion passed.

**Application #0774 City of Miles City – Airport Improvement Project**

- The applicant is requesting \$155,778 for architectural and engineering designing for the reconstruction of runways and apron, the replacement of visual markings, and pavement maintenance.
- Jim Atchison – SEMDC assisted in the preparation of this application. We also brought the large Master Plan for any to look at if needed.
- Craig Canfield – KLJ Engineering, (handouts) reviewed the history of the airport and of the project. This airport is an important transportation link. It supports emergency medical services; both fixed wing and helicopter, Bureau of Land Management operates from it for firefighting, and corporate and private services make use of it. The decay to the runways limits the types of aircrafts now. The FAA does offer help but it comes with legal obligations to maintain each grant assurance for the next 20 years and to be self-sufficient. In Montana, airports aren't self-sufficient and therefore can't always reach those assurances. FAA requires a yearly update to the Capital Improvement Plan and planning for the Miles City airport shows about \$20 million in improvements needed within the next 20 years.
- **Questions and comments from the Board:** if water is causing the heaving in the pavement, has maintenance been done on a regular basis? Did the runway problems have anything to do with losing the essential air service recently? Miles City is the applicant but Custer County is here also as this is a combined effort.
- Craig Canfield – crack sealing, fog sealing and marking is done constantly to try to keep the runways in the best shape but are short term fixes, this will be a long term fix. And the loss of the air service was more than likely an economical decision by the airline and the FAA as it is a subsidized service.

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- Chris (Butch) Grenz – Mayor of Miles City, (handouts) reviewed the need. This is a Priority A project in our city's planning strategy. Both the city and the county have contributed \$1.5 million to the project as both will benefit.
- Bud Peterson – Custer County Emergency Services, (handouts) this airport is a major contributor of support during fire season as well as providing many other aviation services throughout South Eastern Montana as it is strategically located. Larger tanker planes will be able to make use of the facility with the improvements.
- Doug Phair – Airport Commission board member, this project is costing a total of \$4.5 million. FAA has guaranteed \$2.9 million. Again due to the service area, having a cross-wind runway is essential. BLM fire operation leases property and hangar space every year. They really want the ability to bring in the bigger tankers. All the medical services needs are critical. We have tried to secure funds in many places. (handouts) MT Board of Aeronautics is pitifully unfunded. There are many airports like Miles City vying for the same small pot. We have tried Federal, State, County, Rural Development and others to fill out the rest of the funding.
- Julie Korkow – SEMDC, requested a revision in the funding amount applied for. There has been an increase in engineering costs but a decrease in available grant funding. The City of Miles City is facing an \$182,000 deficit in their general fund and so makes a formal request for an increase to the application for the total amount of \$166,118 to complete phases 1 – 3 for this project. At this amount, this only represents 4.7% of the total amount needed. (handouts)
- **Questions and comments from the Board:** what is the coal impact? A worthy need and in need of support. How many landings per day?
- Julie Korkow – the 2012 fires demonstrated that if BLM units and firefighters did not have access to the Miles City airport, many coal cities, towns and counties would have been greatly impacted as well as the mines themselves. There are a significant number of coal employees that work from all around this area. Transco is in Miles City which is a company that repairs rail cars and is expected to expand. Fedex and UPS fly in every day. There are 6 medical flights per month approximately for the Billings Clinic and Holy Rosary Hospital is estimated to be ten times that. Burlington Northern corporate flights come quite often.
- Jim Atchison – Natural Resources of South Eastern Montana use Miles City and Custer County as a hub in many ways. Anticipate much growth in the area due to the Otter Creek Mine and Tongue River Railroad.
- Chris (Butch) Grenz – many coal trains go through Miles City every day, about one every 20 minutes.

**Action by the Board:** Vice-Chair Acton made a motion to fully fund the application in the revised amount of \$166,118. Mr. Lenhart seconded. Motion passed.


**Board Matters:**

- The next meeting is scheduled for September 24 - 25, 2015, in Billings, MT. There will be an orientation for the Board and its new members on the 24<sup>th</sup> with the board meeting being held on the 25<sup>th</sup>.
- Vice-Chair Acton expressed his appreciation for the opportunity to serve on the Board.

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**Adjournment:**

With no other business, a motion was made by Mr. Lenhart to adjourn the meeting. Mr. Stewart seconded. The meeting was adjourned by Chairman Williams at 2:14 p.m. The next meeting is scheduled for September 25, 2015 in Billings, Montana.

  
\_\_\_\_\_  
John Williams, Board Chair

  
\_\_\_\_\_  
Date

MEG O'LEARY  
DIRECTOR



STEVE BULLOCK  
GOVERNOR

**Memorandum**

To: Montana Coal Board

From: Meg O'Leary, Director  
Bill Hoffman, Budget Officer  
Kelly A. Lynch, Administrator, Community Development Division  
Montana Department of Commerce

Date: June 3, 2015

Re: Coal Board Funding for 2017 Biennium

Greetings, Coal Board members. The 2017 Legislative session has concluded, and the Coal Board has been appropriated an increase in coal severance tax monies from the last biennium. However, as a result of a coordination instruction drafting error in HB 228, the awarding and obligation of grant funds will look a little different this biennium than in years past. This memo is intended to explain the bills and appropriations affected, and how Governor Bullock has directed his Office of Budget and Program Planning and the Department of Commerce to solve this procedural issue and provide the funding to the Coal Board as intended by the Governor and the 2015 Legislature.

Relevant Bills from 2015 Legislative Session

HB 228 (Rep. Berry) was signed by the Governor on May 5, 2015. The bill amended Section 15-35-108(7), MCA, increasing the amount of coal severance taxes allocated to the Coal Board account from 2.9% to 5.8% for the 2017 biennium. Combined with the base 2.9% allocation appropriated in HB 2, the passage of HB 228 would have resulted in a total allocation of coal severance taxes to the Coal Board of \$6,964,423 for grants to coal-impacted communities during the 2017 biennium.

Unfortunately, HB 228 did not contain an appropriation authorizing Commerce to spend the additional funding. The bill also contained a coordination instruction that nullified the bill if HB 2 appropriated an amount equal to or greater than \$3,514,423 to the Coal Board for "...the biennium ending June 30, 2017." HB 2 appropriated \$3,711,904 to the Coal Board. Therefore, under its own terms, HB 228 was null and void.

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### Governor Bullock's Solution

In order to avoid the loss of all additional funds for the Coal Board provided for in HB 228, the Governor line-item vetoed the Coal Board appropriation in HB 2 (the Governor cannot amend an appropriation amount with a line-item veto, but is only authorized to strike an appropriation in its entirety), and instructed the Department to work with the Budget Office "to ensure that sufficient funds will be available for the grants."

The Budget Office has appropriated \$2,463,539 in FY 2016 and \$2,555,267 in FY 2017 of its contingency base funding in HB 2 to the Department for Coal Board grants, for a total of \$5,018,806 during the 2017 biennium.<sup>1</sup> In order to provide the amount of funding to the Coal Board equal to the appropriations in HB 2 and HB 228, the Budget Office and the Department will seek approval of up to \$1,945,617 in supplemental appropriations for FY 2017 in HB 3 during the 2017 Session.

### Awards and Obligations during 2017 Biennium

As a result of the above circumstances, the Board has the following funds available for award:

#### *July 2015-June 2016*

\$2,463,539 available for award and contract

\$996,949 available for award, contingent upon receiving supplemental appropriation in HB 3 during 2017 Session

#### *June 2016*

The Department will request a budget change document from the Budget Office, requesting the transfer of \$996,949 of FY 2017 contingency base funding to FY 2016. If approved, a total of \$3,460,488 would be available for award and contract in FY 2016. If not approved, \$996,949 will remain contingent on passage and approval of HB 3 in the 2017 Session.

#### *July 2016-June 2017*

##### If June 2016 budget change document approved:

\$1,558,318 available for award and contract

\$1,945,617 available for award, contingent upon receiving supplemental appropriation in HB 3 during 2017 Session

##### If June 2016 budget change document not approved:

\$2,555,267 available for award and contract

\$948,668 available for award, contingent upon receiving supplemental appropriation in HB 3 during 2017 Session

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<sup>1</sup> The Budget Office appropriated \$86,086 in FY 2016 and \$85,894 in FY 2017 of its contingency funding to the Department for Coal Board personal services administration costs. This amount was just short of the amount requested in the Governor's budget for the 2017 biennium.

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The Coal Board will need to discuss and determine how it would like to proceed with awarding funds during the 2017 biennium. As only a portion of funding awarded is appropriated and not contingent upon the passage and approval of HB 3 by the 2017 Legislature, the Board should decide how to prioritize funding. Options include:

- 1) Accept applications and award funds as applicants apply. In this scenario, the Board would award all FY 2016 appropriated funds first (\$2,463,539), then award remaining contingent funds (\$996,949). The Department will request a budget change document on or about June 2016. If approved, all funds awarded during FY 2016 can move forward with start-up conditions, contracts, and drawdown requests.
- 2) Accept applications and award funds based on priority and importance of project. Those applications with lesser priority or importance would be put on hold until all appropriated funds are awarded to high priority projects during the biennium, and then award the remaining projects awards contingent upon passage and approval of HB 3 in approximately May 2017.

As always, Department staff is available to assist you with these matters and the award process. Thank you in advance for your patience and understanding as we work through this matter together over the upcoming biennium.